

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Brooks Township	County Newaygo
Audit Date 3/31/05	Opinion Date 5/16/05	Date Accountant Report Submitted to State: 6/16/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

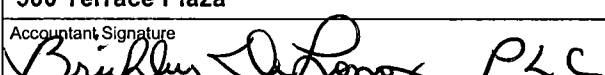
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Brickley DeLong PLC			
Street Address 500 Terrace Plaza	City Muskegon	State MI	ZIP 49444
Accountant Signature 		Date 6/16/05	

Brooks Township
Newaygo County, Michigan

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

Year ended March 31, 2005

Brooks Township

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As management of Brooks Township, we present to the readers of the Township's financial statements this overview and analysis of the financial activities of Brooks Township for the fiscal year ended March 31, 2005. We encourage you to consider the information presented in these financial statements along with the additional information that has been furnished in this letter. To those familiar with the prior year financial statements or just new to this document, it is important to know that Brooks Township's management is presenting this analysis along with these statements in a new format prescribed by the provisions of the Governmental Accounting Standards Board Statement 34 (GASB 34).

FINANCIAL HIGHLIGHTS

- Brooks Township's General Fund expenditures exceeded revenues by \$62,710. This decrease in fund balance was less than the amount budgeted. The decrease in fund balance was the primarily the result of an increase in spending on road projects. The increase in funding was covered utilizing fund balance.
- The Township made the final debt payment on its last outstanding loan.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. Brooks Township's basic financial statements are comprised of three components: 1) governmental-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The governmental-wide financial statements are designed to provide the reader with a broad overview of the Township's finances. These statements are similar to those of a private sector business.

The Statement of Net Assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements mentioned above distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues. The governmental activities of Brooks Township include general government, public works, and cultural and recreational activities.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Brooks Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories-governmental funds and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a governmental entity's short-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

Brooks Township maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered a major fund. Data from the other funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the Township's programs. The accounting method used for fiduciary funds is much like that used for the proprietary funds.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The reader is encouraged to include the reading of this section in any attempt to analyze and understand these statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Township's budgetary information as it relates to the actual expenditures for the General Fund.

Government-wide Financial Analysis

The first table presented below is a summary of the government-wide statement of net assets for Brooks Township. As stated earlier, the net assets may be used as an indicator of a government's financial health. As of March 31, 2005, the Township's net assets from governmental activities totaled \$2,076,456. The net assets are comprised of two parts, *Invested in Capital Assets* of \$1,148,560, which represent the net investment the Township has in fixed asset less accumulated depreciation. The balance of the fund balance is unrestricted. Since this is the first year the Township has prepared financial statements following GASB 34, comparisons to fiscal year 2004 are not available. However, these comparison schedules will be provided in future years.

In examining the composition of these net assets, the reader should note that governmental activities net assets are invested in capital assets (i.e., buildings, land, office equipment, etc.) These assets are used to provide services to the Township's residents, and they are not available to pay salaries, operational expenses or fund capital projects. The unrestricted net assets for governmental-type activities actually depict a fund balance of \$927,896. This represents the amount of discretionary resources that can be used for general governmental operations.

	Governmental Activities 2005
Current assets and other assets	\$ 932,073
Capital assets	1,148,560
Total assets	2,080,633
Current liabilities	4,177
Net assets	
Invested in capital assets	1,148,560
Unrestricted	927,896
Total net assets	\$ 2,076,456

Governmental Activities

Governmental activities Net Assets decreased by \$27,951 during the 2005 fiscal year. With all of the Township's governmental operations combined, the net result was that its operating revenues were exceeded by its operating expenditures, resulting in a decrease in net assets. The Township's state revenue sharing is approximately 54% of revenues and general government operation are approximately 67% of expenditures. The following table depicts this occurrence which will be discussed in more detail later in this analysis.

Brooks Township Change in Net Assets

	Governmental Activities 2005
Revenues:	
Program revenues	
Charges for services	\$ 52,359
Capital grants and contributions	588
General revenues	
Property taxes	82,491
Franchise fees	14,806
Grants and contributions not restricted	252,183
Unrestricted investment earnings	18,136
Miscellaneous	39,487
Total revenues	<u>460,050</u>
Expenses:	
General government	329,262
Public works	100,628
Community and economic development	56,475
Culture and recreation	15,770
Interest on long term debt	884
Total expenses	<u>488,001</u>
Decrease in net assets	<u>(27,951)</u>
Net assets – April 1, 2004	<u>2,104,407</u>
Net Assets – March 31, 2005	<u><u>\$ 2,076,456</u></u>

Financial Analysis of the Government's Funds

As stated earlier in this discussion and analysis, Brooks Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of Brooks Township governmental funds is to provide information on near-term inflows, outflows, and balances in spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balances or the lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the 2005 fiscal year, Brooks Township governmental funds reported a combined reserved and unreserved fund balance of \$927,896. This number represents the unreserved fund balance of \$591,585 in the General Fund and \$114,553 in the Budget Stabilization Fund. It is necessary to further distinguish between the unreserved and the reserved fund balance. The unreserved balance represents what is available for spending at the Township's discretion. The Township Board has designated \$211,367 of the General Fund fund balance for various maintenance and capital outlay purposes. When the fund balance has been adjusted to account for these designations, the result is a final undesignated fund balance of \$319,771, which consists of a fund balance of \$205,218 in the General Fund plus the fund balance of \$114,553 in other governmental funds.

The other major funds are the Improvement Revolving Fund and the Budget Stabilization funds. These funds had no expenditures during the year and the only revenue was investment earnings.

The other governmental funds column consists of two funds. A special revenue fund for a special assessment and the related debt service funds. These funds were closed as of March 31, 2005.

General Fund Budget

During the current fiscal year, the Township made several amendments to its original budget. The most significant of those are listed below:

- The miscellaneous revenues were amended higher to account for an unanticipated reimbursement of expenditures by the Chain of Lakes Authority.
- Board expenditures were amended higher for the unanticipated expenditures related to the Chain of Lakes Authority. As noted previously, these expenditures were reimbursed.
- Infrastructure and projects budget was reduced for contingencies as the year came to a close and fewer expenditures were incurred.
- The Other planning and zoning activities budget was increased due to outsourcing of some of the activities along with education and training for new personnel.

The following comments summarize the major variations from the final budget to actual revenues and expenditures.

- The miscellaneous revenue budget was estimated and actual revenues were below the estimate.
- Board expenditures came in below budget due to a change in how certain wages were allocated to departments along with various other expense line items coming in under budget such as legal services, and printing and publishing.
- The Treasurer expenditures came in under budget due to unused education budget and printing and publications were lower than anticipated.
- The Infrastructure and Projects department came in under budget due to not requiring any significant repair and maintenance activities.
- Roads came in under budget due to not completing anticipated projects.
- The Other Planning and Zoning Activities came in under budget primarily due to a couple of unfilled positions for a period of time during the fiscal year.
- Capital Outlay was budgeted by department and is included in the other departmental totals.

Capital Assets

Brooks Township investment in capital assets for its governmental activities as of March 31, 2005 totaled \$1,148,560 (net of accumulated depreciation). This investment in capital assets includes land, buildings, land improvements, and office equipment.

Brooks Township CAPITAL ASSETS (Net of Accumulated Depreciation)

	Governmental Activities 2005
Land	\$ 982,959
Building	139,770
Land improvement	7,181
Office equipment	18,650
Total	<u>\$ 1,148,560</u>

Additional information on the Township's capital assets can be found in Note 4 of the "Notes to the Financial Statements" of this report.

Long-term debt

The Township paid off the final outstanding bank loan during the year.

General Economic Overview

The Township's General Fund adopted a budget with expenditures exceeding revenues of \$175,000. The expenditures exceeded revenues primarily due to road expenditures.

The Township has committed to additional road expenditures of approximately \$108,000 for fiscal year 2007. The Township also has two years left on a three-year commitment for the reassessment of the Township. The remaining cost related to this commitment is \$15,000 per year for a total of \$30,000 over the remaining term of the commitment.

The Township's General Fund is comprised of two major revenue sources, state revenue sharing and property tax revenue. Those two sources comprised approximately 75% of the General Fund revenue sources. In fiscal 2006, state revenue sharing is expected to remain flat and property tax revenues are expected to increase approximately 7.5%.

Requests for Information

This financial report is designed to provide a general overview of the Brooks Township's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Brooks Township, P.O. Box 625, Newaygo, MI 49337, (231) 652-6763.

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

May 16, 2005

Township Board
Brooks Township
Newaygo, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Brooks Township as of and for the year ended March 31, 2005, which collectively comprise the Township's financial statements as listed in the table of contents. These financial statements are the responsibility of Brooks Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Brooks Township, as of March 31, 2005, and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, Brooks Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as of March 31, 2005.

The management's discussion and analysis and budgetary comparison information on pages i through vii and 21 through 26 are not a required part of the basic financial statement but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

BRICKLEY DELONG

Township Board
May 16, 2005
Page 2

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Brooks Township's basic financial statements. The combining nonmajor governmental funds financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor funds financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Brickley DeLong, PLC

Brooks Township
STATEMENT OF NET ASSETS
 March 31, 2005

ASSETS

	<u>Governmental activities</u>
CURRENT ASSETS	
Cash and cash equivalents	\$ 90,017
Investments	797,724
Receivables	6,642
Due from other governmental units	<u>37,690</u>
Total current assets	932,073
NONCURRENT ASSETS	
Capital assets, net	
Nondepreciable	982,959
Depreciable	<u>165,601</u>
Total capital assets	<u>1,148,560</u>
Total assets	2,080,633

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable	<u>4,177</u>
NET ASSETS	
Invested in capital assets	1,148,560
Unrestricted	<u>927,896</u>
Total net assets	\$ <u><u>2,076,456</u></u>

The accompanying notes are an integral part of this statement.

Brooks Township
STATEMENT OF ACTIVITIES
For the year ended March 31, 2005

<i>Functions/Programs</i>	<u>Expenses</u>	<u>Program Revenue</u>		Net (Expense)
		<u>Charges for</u>	<u>Capital grants</u>	Revenue and
		<u>services</u>	<u>and contributions</u>	Changes in
				Net Assets
				<u>Governmental</u>
				<u>activities</u>
Primary government				
Governmental activities				
General government	\$ 329,262	\$ 38,878	\$ -	\$ (290,384)
Public works	100,628	11,656	-	(88,972)
Community and economic development	56,475	1,825	-	(54,650)
Culture and recreation	752	-	-	(752)
Interest on long-term debt	884	-	588	(296)
Total	<u>\$ 488,001</u>	<u>\$ 52,359</u>	<u>\$ 588</u>	(435,054)
General revenues				
Property taxes, levied for general purposes				82,491
Franchise fees				14,806
Grants and contributions not restricted to specific programs				252,183
Unrestricted investment earnings				18,136
Miscellaneous				<u>39,487</u>
Total general revenues				<u>407,103</u>
Change in net assets				(27,951)
Net assets at April 1, 2004				<u>2,104,407</u>
Net assets at March 31, 2005				<u>\$ 2,076,456</u>

The accompanying notes are an integral part of this statement.

Brooks Township
BALANCE SHEET
 Governmental Funds
 March 31, 2005

	General Fund	Improvement Revolving	Budget Stabilization	Other governmental funds	Total governmental funds
ASSETS					
Cash and cash equivalents	\$ 90,017	\$ -	\$ -	\$ -	\$ 90,017
Investments	460,815	222,356	114,553	-	797,724
Taxes receivable	6,642	-	-	-	6,642
Due from other funds	598	-	-	-	598
Due from other governmental units	37,690	-	-	-	37,690
Total assets	<u>\$ 595,762</u>	<u>\$ 222,356</u>	<u>\$ 114,553</u>	<u>\$ -</u>	<u>\$ 932,671</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 4,177	\$ -	\$ -	\$ -	\$ 4,177
Due to other funds	-	598	-	-	598
Total liabilities	4,177	598	-	-	4,775
Fund balances					
Reserved for capital projects	-	221,758	-	-	221,758
Unreserved					
Designated					
General fund	386,367	-	-	-	386,367
Undesignated					
General Fund	205,218	-	-	-	205,218
Special revenue fund	-	-	114,553	-	114,553
Total fund balances	<u>591,585</u>	<u>221,758</u>	<u>114,553</u>	<u>-</u>	<u>927,896</u>
Total liabilities and fund balances	<u>\$ 595,762</u>	<u>\$ 222,356</u>	<u>\$ 114,553</u>	<u>\$ -</u>	<u>\$ 932,671</u>

The accompanying notes are an integral part of this statement.

Brooks Township
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS**
March 31, 2005

Total fund balance—governmental funds	\$	927,896
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Amounts reported for governmental activities in the Statement of Net Assets
are different because:

Capital assets used in governmental activities are not financial resources and
are not reported in the governmental funds.

Cost of capital assets	\$ 1,215,630	
Accumulated depreciation	<u>(67,070)</u>	1,148,560

Net assets of governmental activities in the Statement of Net Assets	\$	<u><u>2,076,456</u></u>
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The accompanying notes are an integral part of this statement.

Brooks Township
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Governmental Funds
For the year ended March 31, 2005

	General Fund	Improvement Revolving	Budget Stabilization	Other governmental funds	Total governmental funds
REVENUES					
Property taxes	\$ 82,491	\$ -	\$ -	\$ -	\$ 82,491
Licenses and permits	17,726	-	-	-	17,726
Intergovernmental revenues - state	252,183	-	-	-	252,183
Charges for services	49,439	-	-	-	49,439
Investment earnings	7,525	9,306	1,306	290	18,427
Other	39,487	-	-	2,198	41,685
Total revenues	448,851	9,306	1,306	2,488	461,951
EXPENDITURES					
Current					
General government	317,262	-	-	-	317,262
Public works	100,628	-	-	-	100,628
Community and economic development	56,475	-	-	-	56,475
Culture and recreation	752	-	-	-	752
Debt service					
Principal	-	-	-	3,994	3,994
Interest and fees	-	-	-	884	884
Capital outlay	5,778	-	-	-	5,778
Total expenditures	480,895	-	-	4,878	485,773
Excess of revenues over (under) expenditures	(32,044)	9,306	1,306	(2,390)	(23,822)
OTHER FINANCING SOURCES (USES)					
Operating transfers in	-	30,666	-	4,878	35,544
Operating transfers out	(30,666)	-	-	(4,878)	(35,544)
Total other financing sources (uses)	(30,666)	30,666	-	-	-
Net change in fund balances	(62,710)	39,972	1,306	(2,390)	(23,822)
Fund balances at April 1, 2004	654,295	181,786	113,247	2,390	951,718
Fund balances at March 31, 2005	\$ 591,585	\$ 221,758	\$ 114,553	\$ -	\$ 927,896

The accompanying notes are an integral part of this statement.

Brooks Township
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**
For the year ended March 31, 2005

Net change in fund balances—total governmental funds: \$ (23,822)

Amounts reported for governmental activities in the Statement of Activities are different because:

Revenue reported in the Statement of Activities in prior years that provide current financial resources are reported as revenue in the governmental funds. (1,900)

Governmental funds report outlays for capital assets as expenditures; in the Statement of Activities, these costs are depreciated over their estimated useful lives.

Depreciation expense	\$ (10,400)	
Capital outlay	<u>4,177</u>	(6,223)

Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

3,994

Change in net assets of governmental activities \$ (27,951)

The accompanying notes are an integral part of this statement.

Brooks Township
STATEMENT OF FIDUCIARY NET ASSETS
Fiduciary Funds
March 31, 2005

	<u>Employee Benefit Plan</u>	<u>Tax Collection - Agency Fund</u>
ASSETS		
Investments	\$ 73,753	\$ 41
LIABILITIES		
Due to other governments	<u>-</u>	<u>41</u>
NET ASSETS		
Held in trust for benefits and other purposes	<u>\$ 73,753</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

Brooks Township
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
Fiduciary Funds
For the year ended March 31, 2005

	<u>Employee Benefit Plan</u>
ADDITIONS	
Employer contributions	\$ 10,043
Investment earnings	<u>2,252</u>
Change in net assets	12,295
Net assets at April 1, 2004	<u>61,458</u>
Net assets at March 31, 2005	\$ <u><u>73,753</u></u>

The accompanying notes are an integral part of this statement.

Brooks Township
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Brooks Township (Township) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

Effective April 1, 2004, the Township adopted GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 37 and No. 38. These statements primarily establish standards for external financial reporting for state and local governments. Certain significant changes in these statements include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Township’s overall financial position and results of operations.
- Government-wide financial statements prepared using full accrual accounting for all of the Township’s activities.
- A change in the fund financial statements to focus on the major funds.
- Expansion of footnote disclosures.
- These and other changes are reflected in the accompanying financial statements, including notes to financial statements.

The beginning net assets restated for the effects of implementation of GASB Statement No. 34 are as follows:

Fund balances at April 1, 2004—governmental funds	\$ 951,718
Capital assets, net	1,154,783
Special assessments	1,900
Long-term liabilities	<u>(3,994)</u>
Restated net assets at March 31, 2005	<u>\$ 2,104,407</u>

1. Reporting Entity

Brooks Township (Township) is a common law township governed by an elected five-member board.

Generally accepted accounting principles require that if the Township has certain oversight responsibilities over other organizations, those organizations should be included in the Township's financial statements. Since no organizations met this criteria, none are included in the financial statements.

Brooks Township
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
March 31, 2005

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

2. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Township has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The Township does not allocate indirect costs.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Brooks Township
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
March 31, 2005

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation—Continued

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Improvement Revolving Fund is used to accumulate assets for infrastructure projects.

The Budget Stabilization Fund is used to accumulate assets to be used to provide resources to the General Fund when needed.

Additionally, the Township reports the following fund types:

Special revenue funds for collection of special assessments and a related debt service fund for repayment of debt.

The Pension Trust Fund accounts for the activities of the Township's employees retirement plan, which accumulates resources for the pension benefit payments.

The fiduciary fund accounts for assets held by the Township on behalf of others in a fiduciary capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

4. Assets, Liabilities and Net Assets or Equity

a. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The Township has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Township to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers acceptances, state-approved investment pools and certain mutual funds.

Brooks Township
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
March 31, 2005

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

4. Assets, Liabilities and Net Assets or Equity—Continued

a. Deposits and Investments—Continued

Pension plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sales price. Investments that do not have an established market are reported at estimated fair value.

The Township's pension trust investments are held in trust by the investment fiduciary, The Manufacturers Life Insurance Company. Michigan Compiled Laws, Section 38.1132, authorizes the Township's plan to invest in a wide variety of investments including stocks, bonds, certificates of deposit, real estate, annuity contracts, obligations of a specified nature, and real or personal property.

b. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of allowance for uncollectibles.

The Township bills and collects its own property taxes and also collects taxes for the county, school and State of Michigan. Taxes are levied on each December 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31. Uncollectible real property taxes as of the following March 1 are turned over by the Township to the County for collection. The County advances the Township all these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the Township. The Township recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2004 state taxable value for real/personal property of the Township totaled approximately \$98,760,000. The ad valorem taxes levied consisted of .8299 mills for the Township's operating purposes. These amounts are recognized in the General Fund.

c. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

d. Capital Assets

Capital assets, which include property, plant, and equipment are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Brooks Township
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
March 31, 2005

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

4. Assets, Liabilities and Net Assets or Equity—Continued

d. Capital Assets—Continued

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20-50
Land improvements	20
Office equipment	5-10

e. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

f. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

g. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

Brooks Township
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
March 31, 2005

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the capital projects funds, which adopt project-length budgets, and the permanent fund, which is not budgeted. All annual appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgetary information provided in the financial statements:

- a. Prior to the first week of March, the Township supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
- c. Not later than the first week in March, the budget is legally enacted through passage of a resolution.
- d. Supplemental appropriations, when required to provide for additional expenditures, are matched by additional anticipated revenues or an appropriation of available fund balance and must be approved by the Township Board. All appropriations lapse at year end.

The appropriated budget is prepared by fund, function and department. The Township's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Township Board. The legal level of budgetary control is the department level. The Township Board made several supplemental budgetary appropriations throughout the year.

2. Excess of Expenditures Over Appropriations

For the year ended March 31, 2005, expenditures exceeded appropriations for capital outlay and transfer out in the General Fund by \$5,778 and \$30,666, respectively. The capital outlay items were budgeted under the departmental expenditure line items. The transfer out was authorized by the Board in a resolution, but was inadvertently omitted from the budget.

NOTE C—DEPOSITS AND INVESTMENTS

1. Deposits

The Township's deposits are categorized to give an indication of the level of risk assumed by the entity at year end. Category 1 includes deposits insured or collateralized with securities held by the entity or its agent in the entity's name. Category 2 includes deposits collateralized with securities held by the pledging financial institutions' trust department or agent in the entity's name. Category 3 includes deposits which are uncollateralized.

As of March 31, 2005, the Township's carrying amount of deposits was \$90,058, and the bank balance was \$7,460. The entire bank balance was covered by federal depository insurance.

Brooks Township
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
March 31, 2005

NOTE C—DEPOSITS AND INVESTMENTS—Continued

2. Investments

As of March 31, 2005, the Township's investments represented holdings in United States agencies certificates of deposit, investment pools and mutual funds. During the year ended March 31, 2005, the Township's investments were only in these types of investments.

The Township's investments are categorized below to give an indication of the level of risk assumed by the entity at year end. Category 1 includes investments that are insured or registered, or the securities held by the Township or its agent in the Township's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Township's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Township's name. The state-approved investment pools are not categorized as they are synonymous with mutual funds. As of March 31, 2005, the Township's fair value in those pools and mutual funds were \$397,843.

	<u>Category</u>			<u>Fair value amount</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Certificates of deposit	\$ 275,634	\$ 42,000	\$ -	\$ 317,634
U.S. government agencies	<u>-</u>	<u>156,000</u>	<u>-</u>	<u>156,000</u>
	<u>\$ 275,634</u>	<u>\$ 198,000</u>	<u>\$ -</u>	<u>\$ 473,634</u>

The composition of pension trust fund investments at fair value is included in the previous paragraph and shown in the following table:

International stock funds	\$ 1,590
Managed domestic stock funds	<u>72,163</u>
	<u>\$ 73,753</u>

Below is a summary of the combined balance sheet deposits and investments.

	<u>Governmental activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and cash equivalents	\$ 90,017	\$ 41	\$ 90,058
Investments	<u>797,724</u>	<u>73,753</u>	<u>871,477</u>
	<u>\$ 887,741</u>	<u>\$ 73,794</u>	<u>\$ 961,535</u>

Brooks Township
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
March 31, 2005

NOTE D—CAPITAL ASSETS

	<u>Balance</u> <u>April 1, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>March 31, 2005</u>
Capital assets, not being depreciated:				
Land	\$ 982,959	\$ -	\$ -	\$ 982,959
Capital assets, being depreciated:				
Buildings	169,107	-	-	169,107
Land improvements	9,532	-	-	9,532
Office equipment	<u>60,188</u>	<u>4,177</u>	<u>10,333</u>	<u>54,032</u>
Total capital assets, being depreciated	238,827	4,177	10,333	232,671
Less accumulated depreciation:				
Buildings	25,630	3,707	-	29,337
Land improvements	1,579	772	-	2,351
Office equipment	<u>39,794</u>	<u>5,921</u>	<u>10,333</u>	<u>35,382</u>
Total accumulated depreciation	<u>67,003</u>	<u>10,400</u>	<u>10,333</u>	<u>67,070</u>
Total capital assets, being depreciated, net	<u>171,824</u>	<u>(6,223)</u>	<u>-</u>	<u>165,601</u>
Capital assets, net	<u>\$ 1,154,783</u>	<u>\$ (6,223)</u>	<u>\$ -</u>	<u>\$ 1,148,560</u>

Depreciation

Depreciation expense was charged to the general government function.

NOTE E—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances, caused by normal operation, is as follows:

Due to/from other funds:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General Fund	Improvement Revolving Fund	\$ <u>598</u>

The Township transferred \$30,666 during the year ended March 31, 2005 from the General Fund to the Improvement Revolving Fund. This transfer was made to set aside additional funds for road improvements.

NOTE F—LONG-TERM DEBT

Summary of Changes in Long-Term Liabilities

The following is a summary of long-term liabilities activity for the Township for the year ended March 31, 2005.

	<u>Balance</u> <u>April 1, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>March 31, 2005</u>	<u>Due within</u> <u>one year</u>
Governmental activities:					
Installment purchase agreements	\$ <u>3,994</u>	\$ <u>-</u>	\$ <u>3,994</u>	\$ <u>-</u>	\$ <u>-</u>

The Township made the final payment on a note payable due the bank in March 2005. The loan had required annual installments including interest at 6.5 percent.

Brooks Township
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
March 31, 2005

NOTE G—OTHER INFORMATION

1. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss in excess of insurance coverage can be reasonably estimated. There has been no loss in excess of insurance in the past three years.

2. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability to the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Township expects such amounts, if any, to be immaterial.

3. Commitments

The Township has committed to approximately \$205,000 in road projects as of March 31, 2005. The Township has also entered into an additional \$30,000 in service contracts with annual required payments of \$15,000 through fiscal year 2007. These costs are being financed by grants and contributions from TIFA.

4. Jointly Governed Entity

The Township is a member of the Chain of Lakes Area Utility Authority (Authority). The Township appoints two members to the Authority's governing board, which then approves the annual budget. The purpose of the Authority is to acquire, own, construct and operate a sewage disposal system. The Authority is governed by a Board of Trustees containing seven members. The participating communities are Brooks, Everett and Garfield townships. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements can be obtained at Brooks Township, 490 Quarterline, Newaygo, MI 49337.

NOTE H—PENSION PLAN

The Township provides pension benefits for all of its board members and full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Township is required to contribute an amount equal to 10 percent of the qualified employees' annual compensation each plan year. For the year ended March 31, 2005, pension was \$10,037, including certain fees.

NOTE I—DESIGNATED FUND BALANCE

The following is a summary of the designated unreserved fund balance of the General Fund.

Subsequent year expenditures	\$ 175,000
Road improvements	20,609
Parks repair and maintenance	53,241
Emergency	113,759
Building repair and maintenance	<u>23,758</u>
	<u>\$ 386,367</u>

NOTE J—ECONOMIC DEPENDENCY

State of Michigan shared revenues represent 56 percent of General Fund revenues.

REQUIRED SUPPLEMENTAL INFORMATION

Brooks Township
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEUDLE
General Fund
For the year ended March 31, 2005

	Budgeted Amounts		Actual	Variance with final budget- positive (negative)
	Original	Final		
REVENUES				
Property taxes	\$ 84,865	\$ 84,865	\$ 82,491	\$ (2,374)
Licenses and permits	17,500	17,500	17,726	226
Intergovernmental revenues - State	252,600	252,600	252,183	(417)
Charges for services	46,100	46,100	49,439	3,339
Investment earnings	10,600	10,600	7,525	(3,075)
Miscellaneous	22,500	47,030	39,487	(7,543)
Total revenues	434,165	458,695	448,851	(9,844)
EXPENDITURES				
Current				
General government				
Board	135,524	155,524	125,474	30,050
Supervisor	34,284	34,284	30,592	3,692
Elections	11,075	11,075	6,173	4,902
Board of Review	1,870	1,870	904	966
Clerk	44,230	44,230	40,704	3,526
Treasurer	42,363	43,863	36,688	7,175
Assessor	42,750	42,750	42,567	183
Township hall	30,472	34,303	34,160	143
Public works				
Infrastructure and projects	49,907	29,106	18,453	10,653
Roads	160,000	160,000	82,175	77,825
Community and economic development				
Planning commission	18,745	18,745	15,915	2,830
Other planning and zoning activities	32,945	52,945	40,560	12,385
Culture and recreation	5,000	5,000	752	4,248
Capital outlay	-	-	5,778	(5,778)
Total expenditures	609,165	633,695	480,895	152,800
Excess (deficiency) of revenues over expenditures	(175,000)	(175,000)	(32,044)	142,956
OTHER FINANCING USES				
Transfers out	-	-	(30,666)	(30,666)
Net change in fund balances	\$ (175,000)	\$ (175,000)	(62,710)	\$ 112,290
Fund balance at April 1, 2004			654,295	
Fund balance at March 31, 2005			\$ 591,585	

Brooks Township
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
Improvement Revolving Fund
For the year ended March 31, 2005

	Budgeted Amounts			Variance with final budget- positive (negative)
	Original	Final	Actual	
REVENUES				
Investment earnings	\$ 5,000	\$ 5,000	\$ 9,306	\$ 4,306
EXPENDITURES				
	-	-	-	-
Net change in fund balances	\$ <u>5,000</u>	\$ <u>5,000</u>	9,306	\$ <u>4,306</u>
Fund balance at April 1, 2004			<u>181,786</u>	
Fund balance at March 31, 2005			\$ <u><u>191,092</u></u>	

Brooks Township
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE

Budget Stabilization Fund
For the year ended March 31, 2005

	Budgeted Amounts			Variance with final budget- positive (negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u></u>
REVENUES				
Investment earnings	\$ 1,500	\$ 1,500	\$ 1,306	\$ (194)
EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	\$ <u>1,500</u>	\$ <u>1,500</u>	1,306	\$ <u>(194)</u>
Fund balance at April 1, 2004			<u>181,786</u>	
Fund balance at March 31, 2005			\$ <u>183,092</u>	

OTHER SUPPLEMENTAL INFORMATION

Brooks Township
BALANCE SHEET
 Other Governmental Funds
 March 31, 2005

	Total other governmental funds	Special Revenue Fund - Lockwood	Debt Service Fund - Lockwood
ASSETS			
Cash and cash equivalents	\$ - _____	\$ - _____	\$ - _____
Total assets	\$ - =====	\$ - =====	\$ - =====
 Fund balances			
Unreserved	\$ - _____	\$ - _____	\$ - _____
Total liabilities and fund balances	\$ - =====	\$ - =====	\$ - =====

Brooks Township
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 Other Governmental Funds
 For the year ended March 31, 2005

	Total other governmental funds	Special Revenue Fund - Lockwood	Debt Service Fund - Lockwood
REVENUES			
Investment earnings	\$ 290	\$ 290	\$ -
Other	<u>2,198</u>	<u>2,198</u>	<u>-</u>
Total revenues	2,488	2,488	-
EXPENDITURES			
Debt service			
Principal	3,994	-	3,994
Interest and fees	<u>884</u>	<u>-</u>	<u>884</u>
Total expenditures	<u>4,878</u>	<u>-</u>	<u>4,878</u>
Excess of revenues over (under) expenditures	(2,390)	2,488	(4,878)
OTHER FINANCING SOURCES (USES)			
Operating transfers in	4,878	-	4,878
Operating transfers out	<u>(4,878)</u>	<u>(4,878)</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>(4,878)</u>	<u>4,878</u>
Net change in fund balances	(2,390)	(2,390)	-
Fund balances at April 1, 2004	<u>2,390</u>	<u>2,390</u>	<u>-</u>
Fund balances at March 31, 2005	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

May 16, 2005

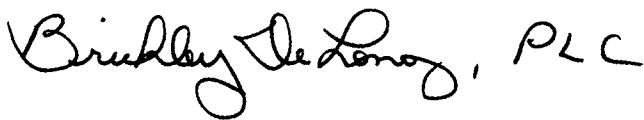
Township Board
Brooks Township
Newaygo, Michigan

In planning and performing our audit of the financial statements of Brooks Township for the year ended March 31, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect Brooks Township's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements. We have attached a summary of the reportable conditions.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe none of the reportable conditions described above are material weaknesses.

This report is intended solely for the information and use of the Township Board, management and others within the administration and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Brickley DeLong, PLLC". The signature is written in a cursive, flowing style.

REPORTABLE CONDITIONS

Recommendation 1: All transfers should be properly budgeted.

During our testing, we noted one transfer that was not included in the budget. The Board approved the transfer through a resolution, but did not amend the budget for this transfer.

The proper inclusion of all transfers in the budget would provide authorization for the transfers and demonstrate compliance with Michigan Public Act 621.

Recommendation 2: The Township should budget for capital outlay separately from departmental budgets for all capital outlay expenditures.

During our testing, we noted that the capital outlay expenditures were included in the departmental budget totals. The budget resolutions did not provide for capital outlay as its own function or department.

The appropriate inclusion of a capital outlay function or department in the budget would provide Board members and other users of the budget with a more accurate summary of expenditures.

Recommendation 3: The accounts payable detailed trial balance should be reconciled with the general ledger on a monthly basis.

During our testing, we noted that the accounts payable trial balance did not reconcile to the general ledger and that such reconciliations were not performed during the year.

The regular reconciliation of accounts payable general ledger balances and detailed trial balances would provide further assurance that accounts payable and the related expense balances are properly stated in monthly financial statements.